

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1691
ANSWERED ON:10.12.2004
NON-BANKING COMPANIES
Reddy Shri S.P.Y.

Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India has formulated a scheme where under all Residuary Non-Banking Companies would henceforth be required to refrain from accepting retail deposits and to invest all their existing funds only in Government and other approved securities;

(b) if so, the details thereof;

(c) by when the scheme is likely to be implemented; and

(d) the other measures being contemplated to safeguard the interests of the small depositors most of whom are hailing from the small income groups and belong to the rural areas ?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE(SHRI S.S. PALANIMANICKAM)

(a), (b) & (c) :- Reserve Bank of India (RBI) have reported that they have not decided to start a scheme where under all Residuary Non-Banking Companies (RNBCs) would be required to refrain from accepting retail deposits. The RNBCs were required to maintain 80 per cent of their Aggregate Liabilities to Depositors (ALD) as per directed pattern of investment. This discretionary limit of 20 per cent will have to be reduced to 10 per cent of their ALD from April 1, 2005 and to nil with effect from April 1, 2006. In other words discretionary limit will stand abolished from April 1, 2006.

(d) :- Comprehensive regulatory framework has been put in place which is aimed at protecting the interests of the depositors and ensuring that NBFCs function on sound and healthy lines. The regulatory framework includes, inter-alia, compulsory registration, maintenance of liquid assets, transfer of at least 20% of net profit to reserve fund and empowering RBI to issue directions to NBFCs. RBI takes various actions against errant NBFCs for various defaults and contravention of provisions of RBI Act and directions issued thereunder.